

Message Text

SECRET

PAGE 01 STATE 050349 TOSEC 060045

17

ORIGIN EUR-12

INFO OCT-01 ISO-00 SS-15 CCO-00 SSO-00 NSCE-00 /028 R

DRAFTED BY:EUR:WE:WPKELLY

APPROVED BY:EUR:MR. LOWENSTEIN

S/S-O:AOTTO

----- 084126

P 020325Z MAR 76 ZFF4

FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

S E C R E T STATE 050349 TOSEC 060045

FOR THE SECRETARY FROM HARTMAN

E.O. 11652: GDS

AGS: PFOR, PINT, PO

SUBJECT: EUR BRIEFING MEMORANDUM - YOUR MEETING WITH
SA CARNEIRO, WEDNESDAY, MARCH 3, 4:00 P.M.

PARTICIPANTS - US

THE SECRETARY,
MR. SONNENFELDT,
JAMES G. LOWENSTEIN, EUR, ACTING
ROBERT E. BARBOUR, EUR/WE (NOTETAKER)

PARTICIPANTS - PORTUGAL

FRANCISCO DE SA CARNEIRO, SECRETARY GENERAL PPD
ADDRESSED AS: DR. SA CARNEIRO
PHONETIC: SAH-CAR-NAY-ROO
ANTONIO GOUVEIA, FOREIGN AFFAIRS ADVISOR, PPD
AMBASSADOR JOAO HALL THEMIDO

PHOTOGRAPHER WILL BE PRESENT BRIEFLY AT THE BEGINNING OF
THE MEETING.

SECRET

SECRET

PAGE 02 STATE 050349 TOSEC 060045

CHECKLIST:

-- ELECTIONS: STRESS OUR HOPE THAT THE APRIL 25 ELECTIONS WILL END COMMUNIST PARTICIPATION IN THE GOVERNMENT EXPRESS CONCERN THAT EXCESSIVE CAMPAIGN RHETORIC MAY POISON THE ATMOSPHERE AND MAKE FUTURE PPD-SOCIALIST COOPERATION MORE DIFFICULT, TO THE ADVANTAGE OF THE COMMUNISTS.

-- THE PRESIDENCY: ELECTIONS FOR PRESIDENT ARE JUNE 27. ASK SA CARNEIRO ABOUT THE POSSIBILITY OF JOINT ENDORSEMENT OF A SINGLE CANDIDATE BY ALL THREE DEMOCRATIC PARTIES.

-- ECONOMIC ASSISTANCE: TELL SA CARNEIRO THAT WE PLAN TO MAKE AVAILABLE TO LISBON \$200 MILLION OVER THE NEXT 12 MONTHS (FROM FY 75 THROUGH FY 77 FUNDS) AND ARE SYMPATHETIC TO PORTUGAL'S NEEDS.

SETTING:

SA CARNEIRO WILL WANT TO HAVE A FREE-WHEELING DISCUSSION ABOUT THE POLITICAL SITUATION AND RELATED ECONOMIC PROBLEMS IN PORTUGAL. WITH POLLS GIVING HIS PARTY OVER 30PERCENT OF THE VOTE, HE IS A POTENTIAL PRIME MINISTER.

YOU LAST SAW SA CARNEIRO IN WASHINGTON IN DECEMBER 1974. SHORTLY AFTER THAT MEETING, ILLNESS FORCED HIM TO TAKE AN EXTENDED LEAVE OF ABSENCE FROM PARTY LEADERSHIP HIS HEALTH RESTORED, SA CARNEIRO RESUMED DIRECTION OF THE PARTY IN SEPTEMBER 1975; THE PPD HAS BEEN RESPONDING WELL TO HIS DYNAMIC AND AGGRESSIVE STYLE.

SA CARNEIRO IS VISITING THE US AT OUR INVITATION. HE WILL HAVE EXTENSIVE HILL AND NEWS MEDIA CONTACTS IN WASHINGTON, MEET PRIVATELY WITH GEORGE MEANY, LUNCH WITH THE COUNCIL ON FOREIGN RELATIONS IN NEW YORK AND GET IN SOME FAST-PACED POLITICKING WITH THE PORTUGUESE-AMERICAN COMMUNITY (MOST OF WHICH IS STRONGLY PPD) IN NEWARK, BOSTON AND NEW BEDFORD.

SECRET

SECRET

PAGE 03 STATE 050349 TOSEC 060045

BACKGROUND/ANALYSIS:

PARLIAMENTARY ELECTIONS ARE SCHEDULED FOR APRIL 25 AND WILL BE FOLLOWED BY PRESIDENTIAL ELECTIONS JUNE 27. TWO RECENT POLLS (ONE COMMISSIONED BY THE SOCIALISTS, THE OTHER BY THE MILITARY) SHOW SA CARNEIRO'S PPD OUT IN FRONT OF THE SOCIALISTS WITH THE CDS PARTY (CHRISTIAN DEMOCRATIC) RUNNING A FAIRLY CLOSE THIRD. THE ARMED FORCES POLL IS

THE MOST RECENT; ITS RESULTS: PPD-34PCT, SOCIALISTS-28 PCT.,
CDS-22PCT., COMMUNICSTS-8PCT.

WHILE THESE FIGURES REFLECT THE NOW FASHIONABLE
"CONSERVATIVE" TREND IN PORTUGAL -- LAST APRIL, FOR
EXAMPLE, THE CDS RECEIVED ONLY 7PCT OF THE ACTUAL VOTE --
THE ELECTORAL CAMPAIGN IS JUST BEGINNING AND IT IS
TOO EARLY FOR PREDICTIONS. SA CARNEIRO, PLEASED
WITH HIS PARTY'S NEW STRENGTH, IS EXPECTED TO RUN A VERY
TOUGH AND AGGRESSIVE CAMPAIGN -- AS MUCH AGAINST THE
SOCIALISTS AS THE COMMUNISTS. WE ARE WORRIED THAT
EXCESSIVE PPD RHETORIC MAY MAKE FUTURE COOPERATION WITH
THE SOCIALISTS IMPOSSIBLE. AMB. CARLUCCI HAS USED
DISCREET GOOD OFFICES TO KEEP SOARES AND SA CARNEIRO
TALKING WITH EACH OTHER, BUT WITH THE SMELL OF VICTORY
IN THE AIR SA CARNEIRO IS NOT INCLINED TO EASE UP THE PRE-
SSURE.

THE SIGNING OF THE AFM-PARTIES PACT ON FEBRUARY 26
BEGINS A NEW, "TRANSITIONAL" PHASE IN THE PORTUGUESE
REVOLUTION. IN AGREEING TO SOME TOUGH PARTY CONDITIONS FOR
SIGNATURE, THE MILITARY REAFFIRMED THE ESTABLISHMENT
OF DEMOCRATIC GOVERNMENT AS A MAJOR REVOLUTIONARY
OBJECTIVE AND -- IN A MAJOR STEP TOWARD THAT GOAL --
AGREED TO TURN OVER THE TRAPPINGS AND MUCH OF THE
SUBSTANCE OF POLITICAL POWER TO THE CIVILIAN POLITICIANS.
THE AFM RETAINS FOR ITSELF A DIMINISHED BUT STILL
IMPORTANT POLITICAL VOICE - THE REVOLUTIONARY COUNCIL
HAS THE POWER TO COMPEL THE PRESIDENT TO VETO LEGISLATION
IT FINDS OBJECTIONABLE. A BRIEFING MEMORANDUM ON THE
PACT AND ITS SIGNIFICANCE IS BEING SENT TO YOU
SEPARATELY.

SECRET

SECRET

PAGE 04 STATE 050349 TOSEC 060045

ISSUES/TALKING POINTS

1. ELECTIONS:

SA CARNEIRO'S PARTY IS LIKELY TO DO WELL IN THE
APRIL 25 PARLIAMENTARY ELECTIONS. IT IS POSSIBLE,
BUT BY NO MEANS CERTAIN, THAT IN A REVERSAL OF THE
1975 RESULTS THE PPD WILL RECEIVE MORE VOTES THAN
THE SOCIALISTS.

-- WITH THE ELECTORAL CAMPAIGN NOW UNOFFICIALLY IN
PROGRESS, HOW DOES SA CARNEIRO SEE THE RELATIVE STRENGTHS
OF THE VARIOUS PARTIES? WHICH ISSUES ARE LIKELY TO BE MOST
IMPORTANT?

-- WHAT ARE THE REALISTIC OPTIONS FOR COALITION
ARRANGEMENTS FOLLOWING THE ELECTIONS? IS A THREE-
PARTY COALITION GOVERNMENT (PPD, SOCIALISTS, CDS) FEASIBLE?

-- WE HAVE FOLLOWED THE HARSH POLITICAL RHETORIC OF THE
PAST TWO MONTHS AND FRANKLY ARE CONCERNED THAT IT
MAY POISON THE POST-ELECTION ATMOSPHERE AND MAKE FUTURE
PPD-SOCIALIST COOPERATION IMPOSSIBLE. SUCH A DEVELOPMENT
WOULD HARM BOTH PARTIES TO THE BENEFIT OF THE COMMUNISTS.
SA CARNEIRO'S VIEWS?

-- SA CARNEIRO WAS THE FIRST CIVILIAN LEADER TO SUGGEST
THAT THE MILITARY SHOULD RETURN TO THE BARRACKS. DOES
HE BELIEVE THAT THE AFM/PARTIES PACT IS THE FIRST STEP
TOWARD THAT GOAL? WHAT ARE HIS VIEWS ON THE PACT ITSELF?

2. THE PRESIDENCY:

PRESIDENTIAL ELECTIONS ARE SCHEDULED FOR JUNE 27.
WHOEVER IS CHOSEN WILL ALMOST CERTAINLY BE A MILITARY
MAN, AND THERE IS NO DEARTH OF CANDIDATES. THE LEADING
CONTENDER AT THE MOMENT IS ARMY CHIEF OF STAFF ANTONIO
RAMALHO EANES, BUT PINHEIRO AZEVEDO, GALVAO DE MELO,
AND MAGALHAES ARE ALL STILL IN THE RUNNING. NO ONE
GIVES COSTA GOMES A CHANCE AT REMAINING PRESIDENT, NOR
HAS HE EXPRESSED ANY INTEREST IN STAYING ON. THE PPD
SECRET

SECRET

PAGE 05 STATE 050349 TOSEC 060045

IS BELIEVED TO FAVOR EANES.

YOUR TALKING POINTS

-- WHAT IS THE LIKELIHOOD OF THE PPD, SOCIALISTS AND
THE CDS AGREEING JOINTLY TO SUPPORT A SINGLE
CANDIDATE? WHOM?

3. ECONOMIC ASSISTANCE

PORTUGAL'S IMMEDIATE PROBLEM IS FOREIGN EXCHANGE
LIQUIDITY. THEY HAVE AMPLE GOLD RESERVES BUT THEIR
CURRENCY RESERVES ARE DEPLETED AND GOLD IS HARD TO SELL
IN VOLUME WITHOUT DISRUPTING THE INTERNATIONAL MARKET.
WE BELIEVE THAT THE PORTUGUESE CAN MAKE IT THROUGH AUGUST
ON LOANS FROM THE WEST GERMANS, THE SWISS, THE IMF AND US
AID PROGRAMS. BEYOND THEN, SERIOUS PROBLEMS MAY ARISE.
EVEN A GENERAL IMPROVEMENT IN THE ECONOMY WILL CAUSE
ADDITIONAL BALANCE OF PAYMENTS STRAINS. RECOVERY,
PARTICULARLY IN THE BEGINNING, WILL MEAN INCREASED
PETROLEUM AND OTHER IMPORTS.

- CURRENT AND PLANNED U.S. AID TO PORTUGAL COMES TO \$230 MILLION FOR FY76 THROUGH FY 77. AT YOUR REQUEST, WE ARE LOOKING FOR WAYS TO INCREASE THAT AMOUNT. UNDER SECRETARY ROBINSON IS ALSO PURSUING WITH TREASURY AND THE FEDERAL RESERVE THE POSSIBILITY OF OPENING A CURRENCY SWAP LINE WITH THE PORTUGUESE AS A STAND-BY ARRANGEMENT WHOULD LISBON NEED IT LATER IN THE YEAR.

YOUR TALKING POINTS

-- WE ARE SYMPATHETIC TO PORTUGAL'S SERIOUS ECONOMIC PROBLEMS AND APPRECIATE THE POLITICAL IMPLICATIONS OF HIGH UNEMPLOYMENT AND INFLATION.

-- WE PLAN TO MAKE AVAILABLE ABOUT \$200 MILLION TO PORTUGAL OVER THE NEXT 12 MONTHS. SOME OF THESE FUNDS HAVE ALREADY BEEN APPROVED BY THE CONGRESS AND WE SYMPATHIZE WITH PORTUGUESE NEEDS.

SECRET

SECRET

PAGE 06 STATE 050349 TOSEC 060045

-- HOW DOES SA CARNEIRO SEE THE NEXT SIX MONTHS?

-- WILL THERE BE AN ATTEMPT TO REVERSE ANY OF THE NATIONALIZATIONS CARRIED OUT BY THE GONCALVES GOVERNMENT? TO RESTORE INVESTMENT CLIMATE?
INGERSOLL

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOSEC, DIPLOMATIC DISCUSSIONS, PARTY LEADERS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE050349
Document Source: CORE
Document Unique ID: 00
Drafter: EUR:WE:WP KELLY
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760078-0798
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197603103/aaaadmjv.tel
Line Count: 255
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAY 2004 by BoyleJA>; APPROVED <31 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EUR BRIEFING MEMORANDUM - YOUR MEETING WITH SA CARNEIRO, WEDNESDAY, MARCH 3, 4:00 P.M.
TAGS: PFOR, PINT, PO, US, (KISSINGER, HENRY A), (SA CARNEIRO, FRANCISCO DE)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006